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SUBJECT: NETANYAHU'S CAMPAIGN MOVES FROM THE CENTER TO THE RIGHT

¶1. (SBU) Summary. Opposition leader Binyamin Netanyahu told a standing-room audience at the Institute for Policy and Strategy's ninth annual Herzliya Conference that he would pursue solutions to three challenges as Prime Minister: Defense, Peace, and the Economy.

Netanyahu, appearing confident a Likud victory will enable him to become the next Prime Minister, hinted at his plans for forming a coalition, singling out Labor's Ehud Barak with praise for his handling of Operation Cast Lead, and pledging to invite all Zionist parties to join a centrist unity government. In the wake of final polls showing a closer-than-anticipated race between Likud and Kadima and a surge for the right-wing Yisrael Beiteinu, Netanyahu has focused his final campaign efforts on attracting support from the right. End summary.

¶2. (U) Netanyahu told attendees of the Herzliya Conference February 4 that Israel now faces three challenges: Defense, Peace, and the Economy. Netanyahu, saying "I believe I will be" the next PM, had strong criticism for Tzipi Livni's Kadima party, saying he had warned of the PA's weaknesses in 2006, but Kadima chose a policy that led to the six-month calm in Gaza between Hamas and Israel, and, in Netanyahu's assessment, gave Hamas time to rearm. He praised the IDF and Ehud Barak by name for their handling of Operation Cast Lead, but said it stopped too soon. Israel has no choice but to "remove the tumor of Iranian (backed) rule in Gaza," Netanyahu said.

¶3. (U) Turning to the peace process, Netanyahu laid out three choices: do more of the same, which he defined as continued withdrawals and a return to 1967 borders (which, he said, would create "Hamastan B" in the West Bank), do nothing at all, or to promote political negotiations the same time as "economic peace". In addition to strengthening the PA's economy, he said, progress should continue in building the capacity of PA security forces in the West Bank. He noted that there was relative calm in the West Bank during the IDF operation in Gaza and said there have been precedents for his preferred approach in other conflicts, including the Balkans and Northern Ireland.

¶4. (U) Netanyahu struck an optimistic tone when he spoke of the economy, noting that Israel has fared better than other countries and saying that its small size makes it more agile during the recovery period. He laid out a five-point plan for the economy, including dealing with the credit crisis, investing in R&D and infrastructure, and reforming the education system. He closed by saying that he will accomplish all these things in a centrist unity government by first approaching traditional partners to form a coalition, and then extending an invitation to all Zionist parties to join him in "countering the Iranian threat."

¶5. (U) In the wake of final polls showing a closer-than-anticipated race between Likud and Kadima and a surge for Yisrael Beiteinu, Netanyahu has focused his final campaign efforts on attracting support from the right. Over the weekend, he visited the Golan Heights to plant trees in the company of the right-wing MK Effie Eitam. Netanyahu reportedly vowed February 8 that "the Golan will remain ours only if Likud wins. If Kadima is elected they'll hand back the Golan." Meanwhile, the Likud's campaign advertising has dropped the images of its centrist icon, Dan Meridor.

